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Profitability is a Result

The year was 1994. I had just been named Vice President of a mid-sized Midwestern high-tech healthcare company and I was pretty proud of myself. I remember concluding a business letter and staring proudly at the impressive title that had just been conferred on

me. Vice President...nice.

Not long thereafter we held our company meeting. Our dedicated employees amassed themselves in the company conference room, anxiously awaiting the words of wisdom from above. My turn came to speak. I waxed conceited about how, most important, we were going to be profitable.

A. Bela Maroti immigrated to the United States from Hungary decades ago. He had a thick Hungarian accent to match; one that had an unmistakable air of wisdom about it. He spoke in a rough tone, the result of having lost part of his voice box years prior. Maroti founded De Paul Hospital. He had become a legend in the Healthcare Industry. He was the Chairman of the Board of the company in which I had just been promoted, and he was present for my infamous profitability speech.

Following my speech he stopped by my office. "So what did you think?" I asked him, waiting to be showered with praise.

With his heavy, all knowing inflection, Maroti responded in a slow, deliberate manner, "Profitability," he said, "is a result."

"I'm sorry?" I responded, without any idea what he was getting at.

He slowly and hoarsely said the same words again, "Profitability is a result." And he just stood there.

He wasn't angry. He wasn't being condescending. He was letting me figure it out for myself.

Of course, his point was that profitability is not something we do. We cannot come into the office every morning and be profitable. We cannot hire profitable. We cannot purchase profitability from a supplier. We cannot strategize profitable. Instructing our teams to be profitable is meaningless. The only way to make our companies profitable is to do what creates profitability. Setting profitability as a goal is fine, but profits don't materialize simply because we decided to be profitable.

Profitability, then, is a result of what?

Profitability results from knowing what you're good at and focusing on it.

Profitability results from knowing specifically what you want your operation to become, what it will take to get there and what you will need to do to make your goals a reality.

Profitability results from recruiting and hiring the right people, training them, communicating with them, motivating them, insisting they work safely, rewarding them, and being quick to make a determination that a team member is not the right fit and taking action.

Profitability results from understanding and tracking the key costs that make or break your financial performance. In a metal finishing operation these costs are labor, chemistry, metals, waste treatment, maintenance and energy expenses.

Profitability results from responding to all customer needs—expedites, quote requests, engineering assistance, billing questions and so on—better and faster than your competitors do.

Profitability results from understanding your customers' businesses as well as they do, from having a sales plan and a marketing strategy that leverage opportunities in your changing marketplace, from perfectly executing that strategy and from a willingness to take on tough projects or customer expectations so long as they fit into your long-term strategic direction.

Profitability results from turning down new business opportunities that do not fit your long-term strategic direction.

Profitability results from keeping your business risk low by being a good corporate citizen and environmental steward and complying with governmental regulations.

Profitability results from a focus on quality, from use of a registered quality system, and from reliable business systems.

Profitability results from investing in technology, information systems, new equipment, and new initiatives so long as these investments have definable, measurable and successful returns.

Profitability results from building long-term, honest relationships with suppliers, setting high expectations for them, holding them to those expectations, and rewarding them with additional business volume when they perform.

Profitability is a result. If you want to be profitable, attend to the behaviors that beget profits.

